



Universal Service Administrative Company

High Cost & Low-Income Division

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**REMINDER: CERTIFICATION FOR NEW RATE COMPARABILITY
REVIEW FOR NON-RURAL CARRIERS SERVING IN RURAL AREAS
IS DUE ON OCTOBER 1, 2004**

In an order released in October of 2003, the Federal Communications Commission (FCC) adopted a new annual state certification requirement that will take effect for the first time on October 1, 2004. Pursuant to section 54.316 of the FCC's rules, each state is required annually to review the comparability of residential rates in rural areas of the state served by non-rural incumbent local exchange carriers (ILECs) to urban rates nationwide, and to certify to the FCC and the Universal Service Administrative Company (USAC) as to whether the rates are reasonably comparable. Please note that this new certification is in addition to the annual certifications in which states certify to the use of high cost universal service funds, which are also due on October 1.

For the rate comparability certification, states may use a safe harbor and presume for certification purposes that the residential rates in rural areas served by non-rural ILECs are reasonably comparable to urban rates nationwide, if the rates are below the nationwide urban rate benchmark. The nationwide urban benchmark is the most recent average urban rate plus two standard deviations, or \$32.28 for the upcoming certification period. This benchmark amount will be adjusted annually.

If a state does not rely on the safe harbor provision, or certifies that the rates are not reasonably comparable, the state must fully explain its rate comparability analysis and provide data supporting its certification, including but not limited to residential rate data for rural areas within the state served by non-rural ILECs. If a state certifies that the rates are not reasonably comparable, it must also explain why the rates are not reasonably comparable and explain what action it intends to take to achieve rate comparability.

Details of this requirement, along with rate comparability guidelines and a basic service rate template, can be found in the FCC's *Order on Remand, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order*, CC Docket No. 96-45, FCC 03-249, released on October 27, 2003. The *Order* can be found online at:

http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-03-249A1.doc.

Please remember that the annual rate comparability certification is due to the FCC and USAC on October 1, 2004 and pertains to rates as of July 1, 2004. Certifications should be filed with both the FCC and USAC at the addresses below:

FCC:

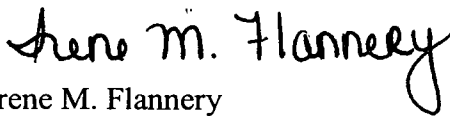
Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 – 12th Street, SW, Room TW-A306
Washington, DC 20554

USAC:

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If you have any questions, please contact USAC at 202-776-0200.

Sincerely,



Irene M. Flannery
Vice President